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SUBJECT: AMCHAM ARGENTINA'S EXECUTIVE BOARD DISCUSSES LOCAL
ENVIRONEMNT WITH AMBASSADOR

Summary

¶1. (U) On March 17, 2009, Ambassador Wayne met with Executive Board Members from the American Chamber of Commerce in Argentina. Present at the meeting were representatives from IBM, Dow Chemical, WalMart, Cargill, Ford, GE, and Duke Energy. The companies noted challenges they face due to the significant decline in domestic demand, inflation-driven demands for salary increases that are squeezing margins, strong labor unions, increasing GoA non-tariff protectionist measures, customs inefficiencies, and the overall unpredictability of current GoA administration. The Board also noted GoA pressures to slow member companies' remittance of dividends to parent companies in the United States. They agreed on the importance of strong collaboration with the Embassy in the areas of Intellectual Property Rights (IPR), Corporate Social Responsibility (CSR), forced child labor, and education. End Summary.

¶2. (SBU) On March 19, Ambassador Wayne hosted members of the Board of the American Chamber of Commerce in Argentina. This was the first meeting of the executive Board under the leadership of the newly elected AMCHAM President, Rolando Meninato, who is also the President of Dow Argentina. Mr. Meninato assumed this position from Juan Bruchou, President of Citibank Argentina, and it is expected that he will lead the Board in a very different manner due to the lower profile that Dow attracts in the market.

Sales Slow

¶3. (SBU) Members voiced concerns regarding the global economic crisis and its direct effects on their sales in Argentina. Many agreed that January and February 2009 showed similar profits as the same months of 2008 but that, by the end of February, a dramatic downturn in demand became evident. WalMart believed that the second quarter will be a difficult period, with expectations that the third quarter could be worse still. However, WalMart confirmed they are moving forward with expansion plans in Argentina, noting their newest WalMart store scheduled to open in Buenos Aires in April ¶2009. There was a general consensus that a majority of the firms represented were currently operating in the red. When asked if they believed that the current crisis would drive many U.S. firms out of Argentine market, all replied "no," referring to the rich history of commercial relations that exist between the United States and Argentina and the ability of companies to manage the current crisis based on lessons learned from past Argentine crises.

¶4. (SBU) Several of the companies, including Ford, WalMart, and Cargill, explained that additional pressures such as demands by local unions for significant salary increases over the past two

years were squeezing margins. Many joked that the GoA's typical reaction to this challenge is to tell companies to simply accept reduced profitability. Ford explained that they had success in convincing the GoA to allow decreases in salary as an alternative to lay-offs. They also clarified that they have a very "proactive" relationship with the GoA, an exception to the rule that they attributed to the automotive sector's significant (indeed, almost totemic) importance to the Argentine political class and manufacturing sector.

Imports and Protectionism

15. (SBU) Other board members stated that navigating Argentine Customs is a constant challenge, with significant delays for clearance a common phenomena. Many U.S. companies have complained to Emboffs that it can take up to 60 days for product to be cleared by Customs. When asked if the November 2008 creation of a new Production Ministry was effective, all agreed that it had no impact on business as all decisions are in the hands of a few key GoA players, none of which occupy positions in this new Ministry. This led to several comments regarding Argentine Commerce Secretary Guillermo Moreno's direct contact with companies and his continued insistence on price controls. All were amazed at the level of detail with which he conducts business, often personally calculating the "appropriate" cost of products himself.

16. (SBU) Several members commented on current trade frictions between Argentina and Brazil after Argentina recently enacted import restrictions on several Brazilian goods. Ford stated that President Fernandez de Kirchner reviews the automotive sector trade balance

daily and so is very aware of the situation for both automobiles and parts. He stressed that Ford currently received better treatment than many other firms as they currently do not have problems importing component parts from either Brazil or Mexico. Others stressed that such restrictions are conducted on a sector-by-sector basis with many "voluntary" side agreements to restrain trade negotiated. All agreed that, when able, the GoA would enact whatever policies it deems necessary to support local manufacturers, impacting those foreign companies in direct competition with local firms.

Access to Dollars and Dividends

17. (SBU) Several of the companies explained that their U.S. parents are demanding accelerating dividend remittances. Dow stated that Secretary Moreno, in an effort to retain scarce foreign currency reserves in Argentina, has questioned company officials as to why their dividends must be returned to the United States. Company representatives further stated that the GoA has attempted to correlate the amount a company is "allowed" to remit to the United States with its level of exports. Cargill explained that they take a proactive approach with Moreno concerning this issue, which seems to have worked thus far.

18. (SBU) Regarding access to dollars, all agreed that the GoA is working to control money flows and has its own staff assigned to each bank in order to closely monitor the situation. Many believed that dollar purchases in excess of 25 million dollars were being denied as the Central Bank has increasingly limited access to dollars. EMBOFFs have heard this from other private sector sources as well.

G-20, Summit of the Americas

19. (SBU) The Board was very interested to hear of the recent phone call that took place between Presidents Obama and Fernandez de Kirchner as they were hopeful for greater open dialogue between our two countries. They were optimistic that the upcoming G-20 and Summit of the Americas would be venues for expanded bilateral dialogue. Each clarified that they were not planning on attending

the Private Business Forum being organized on the margins of the Summit of the Americas held in Trinidad and Tobago later this month.

Future Collaboration

¶10. (SBU) All agreed that increased future collaboration in the areas of IPR, CSR, forced child labor issues, and education were essential. Regarding IPR, Amcham CEO Alejandro Diaz spoke of the importance of encouraging Argentina to ratify the Patent Cooperation Treaty (PCT), which allows an applicant to request a patent in one contracting country for use in other signatory countries. The Ambassador mentioned that he was very pleased to work with AMCHAM on this year's NGO fair and was confident that it would be another successful effort. He also elaborated on the idea of working with the Ministry of Labor and AMCHAM members on highlighting best practices in the area of forced child labor. AMCHAM President Meninato replied that members would be happy to do so.

¶11. (SBU) The Ambassador also stressed the need for U.S. companies to highlight their CSR, job creation and investment activities in Argentina and generate proactive press strategies. He encouraged all to generate releases on positive issues, especially highlighting what many considered small investments and expansions.

WAYNE